



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 6, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Calumet
Charter Number 12200**

**112 East Main Street
Calumet, OK 73014**

**Comptroller of the Currency
Assistant Deputy Comptroller Kyle M. Jones
Oklahoma City Field Office
301 NW 63rd Street
Harvey Pkwy. Bldg., Suite 490
Oklahoma City, OK 73116**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support this rating include:

- A majority of the bank's loans are made within the assessment area.
- The bank exceeds the standard for satisfactory performance for lending to borrowers of different incomes and farms of different sizes.
- The bank is adequately meeting the lending needs of its assessment area, but the bank's loan-to-deposit ratio does not meet the standard for satisfactory performance.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

The First National Bank of Calumet, Oklahoma is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

DESCRIPTION OF INSTITUTION

The First National Bank of Calumet (FNB) is located in Calumet, Oklahoma. The bank is majority owned by the Thompson family. The bank and drive-through are located at 112 East Main Street in Calumet. FNB's primary focus is to serve commercial and consumer customers in Calumet and the surrounding areas.

As of June 30, 2003, FNB's total assets equaled \$20 million, of which \$3.8 million or 19 percent, were composed of various types of loans to agricultural related enterprises, individuals, and commercial businesses. Specifically, the bank's loan portfolio consists of the following:

Loan Category	\$ (000)	%
Agricultural Loans	2,563	67.52
Consumer Loans	585	15.41
Commercial Loans	333	8.77
Residential Real Estate Loans	315	8.30
Total	3,796	100%

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank received an overall rating of Satisfactory at the last CRA examination dated May 3, 1999.

DESCRIPTION OF ASSESSMENT AREA

The assessment area adopted by FNB consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low-or moderate-income geographies. It meets the requirements of the CRA regulation.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	1,803
Number of Households	2,413
<i>Geographies</i>	
Number of Census Tracts/BNA	2
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	45,059
2003 HUD-Adjusted MFI	51,100
<i>Economic Indicators</i>	
Unemployment Rate	3%
2000 Median Housing Value	63,513
% of Households Below Poverty Level	14%

FNB has defined their assessment area as two contiguous census tracts in northwestern Canadian County, Oklahoma. Census tract 3001 and 3002.02 are middle-income tracts. The town of Calumet is located on the dividing line of the two census tracts. The bank is located in census tract 3002.02.

Based on the 2000 census data, the total population of the assessment area is 6,522. Of the 3,150 total housing units, 1,870 or 59 percent are owner occupied. Households below the poverty level total 355 or 14 percent and households that receive public assistance total 120 or 4 percent of the total number of households.

The local economic conditions are stable, with no expected growth in Calumet. The current outlook for the agricultural market is good. In past years, some farm operations have gone out of business and others have supplemented their income with outside sources. Seventy-three percent of the households derive their income from wages and salaries. The largest employment sectors in the assessment area are services, retail trade, and construction. The major employers in the assessment area are the Calumet Public Schools, El Reno Public Schools, and the Federal Corrections Center in El Reno.

Local banking competition includes several branches of financial institutions and some stand-

alone community banks. There are no other financial institutions in Calumet.

A community contact was conducted during this review to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to the contact. The bank is considered to be involved in the various community development activities and programs in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The Performance Evaluation (PE) assesses the bank's performance focusing primarily on five performance criteria: the loan-to-deposit ratio, lending in the assessment area, lending to borrowers of different incomes and to businesses/farms of different sizes, geographic distribution of loans, and responses to complaints. Because FNB's assessment area does not include any low- or moderate-income census tracts, a geographic distribution of the bank's loans within the assessment area was not performed.

In evaluating the bank's lending performance, a random sample of 40 loans was reviewed. Major loan products offered by the bank were sampled and consisted of consumer loans (20) and agricultural loans (20) that originated between September 1, 2002 and September 30, 2003.

Based on the analysis and consistent with available resources and capabilities, the bank is meeting the credit needs of its assessment area in a satisfactory manner. One element of the performance criteria that does not meet the standard for a satisfactory rating is the low loan-to-deposit ratio.

Loan-to-Deposit Ratio

The loan-to-deposit ratio does not meet the standard for satisfactory performance. This determination is based on the bank's quarterly average loan-to-deposit ratio from June 30, 1999 through June 30, 2003 of 27.62 percent. The low ratio for the period was 21.18 percent at June 30, 2003. The high ratio for the period was 31.57 percent at March 31, 2001.

FNB's loan-to-deposit ratio does not compare well to the other national and state chartered banks in the area. The average loan-to-deposit ratio for the 25 banks operating in Canadian, Blaine, Caddo, Grady, and Kingfisher Counties at June 30, 2003 was 65.02 percent. The ratios of the group ranged from 21.18 percent to 103.83 percent. As the table below illustrates, the bank's ratio is low compared to other stand-alone similarly situated banks in the area and below the other 24 banks in the 5 county area.

Institution	Assets (as of 6/30/03)	Average LTD Ratio
Watonga State Bank	62,419	48.33
First State Bank, Watonga	32,518	64.25
Community National Bank of Okarche	39,549	73.14
The First Bank of Okarche	43,085	75.019
<i>The First National Bank of Calumet</i>	<i>20,032</i>	<i>27.62</i>

The low loan-to-deposit ratio is attributed to the (1) virtually non-existent commercial loan demand due to the lack of commercial businesses (non agricultural) in the Calumet area; (2) significant number of agricultural borrowers who have liquidated over the past several years due to the poor agricultural conditions; and (3) significant number of people who live in the Calumet area which are employed in larger, surrounding communities. Although the ratio is low, the bank is helping to meet the borrowing needs of its assessment area. This is evidenced by the significant portion of the loan portfolio being extended to individuals or households of low- and moderate-income or to small farms. An analysis of all loans extended between September 30, 2002 and August 31, 2003, revealed that a large number of loans extended were made for less than \$3,000. Of the 347 loans extended in one year, 151 or 44 percent were loans extended for less than \$3,000.

Lending in Assessment Area

FNB's lending in their assessment area meets the standards for satisfactory performance. This conclusion is based on the sample of 40 consumer and agricultural loans, as depicted in the following table:

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer Loans	13	65.00	60	65.93	7	35.00	31	34.07
Agricultural Loans	17	85.00	325	98.19	3	15.00	6	1.81
Total Reviewed	30	75.00	385	91.23	10	25.00	37	8.77

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNB exceeds the standard for satisfactory performance for lending to borrowers of different incomes and farms of different sizes.

The following tables represent a reasonable distribution of lending based on the random sample of 13 consumer loans and 17 agricultural loans extended within the assessment area.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	25.20		17.90		19.20		37.70	
Sample	% of Number	% of Amount						
	53.85	43.34	30.77	31.87	0	0	15.38	24.79

The number and amount of consumer loans extended to low- and moderate-income households exceeds the proportion of households represented in the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	97.56	2.44
% of Bank Loans in AA #	94.12	5.88
% of Bank Loans in AA \$	96.02	3.98

The level of farm loans revealed that a majority of loans were extended to small farms with annual gross revenues of less than \$1 million per year.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since there are no low- or moderate-income census tracts in the assessment area.

Responses to Complaints

There have been no consumer complaints regarding the bank's CRA performance during the evaluation period.

Fair Lending Review

An analysis of 2001 - 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. The bank has a good history of complying with anti-discrimination laws. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.